



Director of  
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# National Intelligence Daily (Cable)

6 April 1982

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CPAS NIDC 82-080C

6 April 1982  
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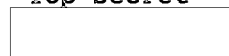
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POLAND: Rescheduling of Debt for 1981

*The signature today of the long-delayed agreement rescheduling private debt for 1981 paves the way for the Poles to open negotiations on rescheduling their \$10.4 billion debt service bill for this year.*

//Western banks confirmed last week that Poland finally had made all interest payments for 1981, allowing the signature of the agreement. The agreement postpones payment of 95 percent of the \$2.4 billion in principal due to banks in the final nine months of 1981. The banks say they will not implement the agreement, however, unless some \$600 to \$700 million interest due in the first quarter of 1982 is paid next month and an agreement on debt relief for 1982 is reached by August.//

//A recent article in the Polish press proposes that Western government creditors reschedule payments on 95 percent of interest and principal due in 1982 and that private creditors reschedule all principal payments and half of the interest payments.

Comment: //Poland's problems in restructuring its foreign debts for 1982 appear even more formidable than they were last year. Warsaw's suggested terms for rescheduling its payments for 1982 are softer than creditors will accept but probably are tougher than Poland can meet. The continuing debt problems will prevent Warsaw from importing the industrial materials required for economic recovery.//

//Creditors face tough decisions on negotiating terms of rescheduling and on whether to call default as Polish overdue debts mount. Banks will be under increasing pressure to write off Polish loans, and governments will almost certainly have to pay more than \$2 billion this year to honor loan guarantees. Disputes among groups of government and private creditors are likely to delay conclusion of agreements for debt relief covering 1982.//

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ISRAEL-PLO: Concern Over Terrorist Attacks

*Israeli officials are warning that they may be forced to respond if recent terrorist attacks--which they view as PLO-inspired--continue.* [redacted]

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Foreign Minister Shamir said yesterday that Israel will uproot terrorism and use force to crush terrorist bases everywhere in response to the attacks. Although Shamir, Prime Minister Begin, and other officials have stopped short of claiming the murder of an Israeli diplomat in Paris last weekend violated the cease-fire in Lebanon, several cabinet members have charged the PLO was responsible. [redacted]

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PLO chief Arafat has denied any role in the attacks, although one PLO fringe group has claimed credit for some of them. Arafat wants to maintain the cease-fire, but pressure from radicals for terrorist attacks is growing.

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Comment: The terrorist attacks pose a dilemma for the Israelis. They probably think that the US does not believe the incidents justify an attack into Lebanon, and that retaliation now might lead to strains in ties with the US. On the other hand, Tel Aviv may be concerned that its credibility may be damaged if it does not react soon. Shamir's remarks may indicate that the cabinet is seriously considering retaliation. [redacted]

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DOMINICAN REPUBLIC: Presidential Politics

*The presidential election next month will test the nascent democratic system and probably will result in the installation of an administration more at odds with US foreign policy.*

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Ruling party candidate Salvador Jorge Blanco is the frontrunner. Although he is accused of being too leftist, his political record and the inclusion of respected moderates in his camp indicate that he is a left-of-center social democrat.

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Major opposition candidate and former President Balaguer stunned the electorate by announcing and later withdrawing his resignation from the race within the last week. Balaguer--whose chances for victory already were weakened by near blindness and age--failed through his resignation to force his party to replace its vice presidential candidate, whose reputation for corruption is another liability.

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Speculation about possible military intervention is a major topic in the campaign. The armed forces, which have a history of political intervention, seized the ballot boxes following the election in 1978 and surrendered them only under strong US pressure.

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Comment: As President, Jorge Blanco probably would urge a negotiated settlement in El Salvador, show qualified sympathy for the Sandinista regime in Nicaragua, and possibly expand existing informal relations with Cuba. At home he would be likely to allow the legal parties on the extreme left greater freedom. He nevertheless realizes that the economy will be his principal challenge, and he would be unlikely to undertake actions that would discourage US aid and Western investment.

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The experience in 1978 probably will restrain the military from disrupting the election process, but it will be alert to any signs of what it regards as Communist influence. Some members of the armed forces have suggested that they will view friendly US relations with Guatemala's new military junta as an indication that the US would not necessarily block a rightist coup against Jorge Blanco.

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LIBYA: Oil Price Cuts

//The Libyan Government reportedly has cut the price for the crude oil it sells by \$1.35 per barrel, to an average of \$35.15 per barrel, and is allowing oil companies to lower their prices for the Libyan oil they produce and sell by \$2 per barrel, effective 1 April. Several companies will increase their production as a result of the new arrangements. The reductions fall within the range allowed by the recent OPEC price guidelines.//

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Comment: //The new prices probably will help Libya increase production and sales by 100,000 barrels per day to the ceiling of 750,000 barrels per day allotted to Libya at the OPEC meeting. Any Libyan hopes of increasing production further, however, are likely to be disappointed. Buyers not operating in Libya will be reluctant to place large orders because Libyan prices are still \$2 to \$5 above North Sea prices and spot market levels.//

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ZIMBABWE: Concern Over Nkomo's Support

//Prime Minister Mugabe is concerned over the possibility of increasing violence among supporters of Joshua Nkomo's Zimbabwe African People's Union. The rally on Sunday of up to 60,000 of Nkomo's followers shows that the ousted cabinet minister is still a political force to be reckoned with despite Mugabe's attempts to discredit him.//

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Comment: Mugabe faces a tough decision on how best to proceed against Nkomo, whom he has threatened to try for coup plotting. A decision to arrest Nkomo could lead to an outbreak of violence that could risk pushing ZAPU into open opposition. Mugabe may believe, however, that he should move soon against Nkomo to prevent him from amassing more support.

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NORTH KOREA: Succession Prospects

The government lineup announced yesterday at the opening session of the newly elected assembly failed to include any post for Kim Chong-il, eldest son and political heir of President Kim Il-song. [REDACTED]

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Comment: There was considerable speculation among foreign observers that Kim Chong-il, who received high party positions in late 1980, would be named a vice president at the assembly. His failure to acquire a government post does not indicate a political decline but reinforces the impression that the elder Kim, who will mark his 70th birthday next week, intends to continue to move at a deliberate pace with his plans for the succession. [REDACTED]

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